

A. Introduction

The Audit Commission ("Audit") conducted a review to examine the management and funding of the Sports Federation & Olympic Committee of Hong Kong, China ("SF&OC").

2. Hon Abraham SHEK Lai-him declared that he was an independent non-executive director of NWS Holdings Limited, the parent company of the constructor of Kai Tak Sports Park. Hon Kenneth LEUNG declared that he had taken part in various activities organized by Hong Kong Amateur Swimming Association.

Background

3. SF&OC¹ is recognized by the International Olympic Committee ("IOC") as the National Olympic Committee of Hong Kong, China. SF&OC received funding from the Government through the Arts and Sport Development Fund (Sports Portion), the Home Affairs Bureau ("HAB")'s funding and the Leisure and Cultural Services Department's recurrent subvention. In 2018-2019, the total amount of government funding provided to SF&OC was \$38.9 million.² HAB will increase its recurrent subvention to SF&OC from \$20 million in 2019-2020 to \$40.6 million in 2020-2021.

4. SF&OC has three affiliated companies, namely the Management Company of Olympic House Limited ("MCOHL"),³ the SF&OC Sports Legacy Company

¹ SF&OC was established in November 1950 as a non-profit-making non-governmental organization and registered under the Societies Ordinance (Cap. 151). In March 2017, SF&OC was incorporated under the Companies Ordinance (Cap. 622) as a company limited by guarantee.

² The total government funding of \$38.9 million comprised: (a) the HAB subvention of \$23,481,000; (b) \$12,517,000 from the Arts and Sport Development Fund (Sports Portion) to support Hong Kong athletes' preparation for and participation in international games and organizing one-off sports projects; and (c) \$2,900,000 from the Leisure and Cultural Services Department for organizing programmes and activities under the Sports Subvention Scheme.

³ MCOHL was registered as a charitable organization under section 88 of the Inland Revenue Ordinance (Cap. 112) in August 2004, and has been entrusted by the Government to manage the Olympic House since 2004.

Limited ("SLCL")⁴ and the Hong Kong Olympic Fans Club Limited.⁵ SF&OC comprises the SF&OC Secretariat,⁶ the Office of the Hong Kong Athletes Career and Education Programme ("HKACEP")⁷ and the Office of the Hong Kong Anti-Doping Committee ("HKADC").⁸

5. As at 31 December 2019, SF&OC had 82 members comprising 79 National Sports Associations ("NSAs")⁹ (NSA members are known as member associations) and three individual ordinary members.¹⁰ Only NSAs can nominate athletes to SF&OC to participate in international multi-sports games ("international games").

6. SF&OC is governed by a Board of Officers ("the Board"), which consists of 15 Officers.¹¹ The Board may exercise all the powers, which are laid down in SF&OC's Articles of Association.¹² The Board is supported by 29 committees/sub-committees/panels/working groups (hereinafter collectively referred to as committees). Of the 29 committees, 27 are standing committees and two are non-standing committees formed on a need basis. As at 31 December 2019, the 27 standing committees had a total of 249 members.¹³

⁴ SLCL was registered as a charitable organization under section 88 of the Inland Revenue Ordinance in March 2016, which promotes sports and blends character and career development for students in underprivileged schools and retired/retiring athlete coaches.

⁵ The Hong Kong Olympic Fans Club Limited being a non-profit making organization provides a platform for the public to interact and contribute to the Olympic Movement and for the promotion of the value of Olympism.

⁶ The SF&OC Secretariat is mainly responsible for handling corporate matters of SF&OC, organizing athletes' participation in international games, organizing major local events and handling membership affairs.

⁷ The Office of HKACEP is mainly responsible for providing post-athletic career, education and life skills support for athletes.

⁸ The Office of HKADC is mainly responsible for the planning and implementation of anti-doping programmes.

⁹ NSAs are the local governing bodies for various types of sports. They were recognized by SF&OC as the official representatives of their respective sports. Of the 79 NSAs, 59 received block grants from the Leisure and Cultural Services Department's Sports Subvention Scheme.

¹⁰ According to SF&OC, to fulfill IOC's requirement, SF&OC has three individual ordinary members, i.e. the Member/Honorary Member of IOC and two representatives of SF&OC's Athletes Committee, which is one of the committees of SF&OC.

¹¹ The 15 Officers comprise one President, eight Vice-presidents, one Honorary Secretary General, three Honorary Deputy Secretaries General, one Honorary Treasurer and one Officer (a representative of SF&OC's Athletes Committee). They are appointed for a term of four years and can be re-appointed after election for another four years.

¹² See the website of SF&OC: <http://www.hkolympic.org>

¹³ Members of the committees are appointed for a term of one year or four years (i.e. varied among different committees).

7. The Committee held four public hearings on 25 May and 1, 6 and 16 June 2020 to receive evidence on the findings and observations of the Director of Audit's Report ("Audit Report").

The Committee's Report

8. The Committee's Report sets out the evidence gathered from witnesses. The Report is divided into the following parts:

- Introduction (Part A) (paragraphs 1 to 11);
- Operation of Sports Federation & Olympic Committee of Hong Kong, China (Part B) (paragraphs 12 to 78);
- Government funding and monitoring (Part C) (paragraphs 79 to 105);
- Governance issues (Part D) (paragraphs 106 to 113); and
- Conclusions and recommendations (Part E) (paragraphs 114 to 116).

Speech by Director of Audit

9. **Mr John CHU Nai-cheung, Director of Audit**, gave a brief account of the Audit Report at the beginning of the Committee's public hearing held on 25 May 2020. The full text of his speech is in *Appendix 24*.

Opening statement by Secretary for Home Affairs

10. **Mr Caspar TSUI Ying-wai, Secretary for Home Affairs**, made an opening statement at the beginning of the Committee's public hearing held on 25 May 2020. The full text of Secretary for Home Affairs's opening statement is in *Appendix 25*.

Opening statement by Honorary Secretary General, SF&OC

11. **Mr Ronnie WONG Man-chiu, Honorary Secretary General, SF&OC**, made an opening statement at the beginning of the Committee's public hearing held

on 25 May 2020. The full text of Honorary Secretary General, SF&OC's opening statement is in *Appendix 26*.

B. Operation of Sports Federation & Olympic Committee of Hong Kong, China

12. With reference to Note 11 to paragraph 2.3(b) of the Audit Report, the Committee enquired about the criteria used by the Chairperson for nominating representatives of NSAs as members of the International Multi-Sports Games Selection Committee of SF&OC ("the Selection Committee"), and the system of declaration of interests adopted by the Selection Committee.

13. **Honorary Secretary General, SF&OC and Mr Abraham CHENG, Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 27*) that:

- the Selection Committee for respective games was formed according to Articles 53(3) and 53(4) of SF&OC's Articles of Association. The composition included Honorary Secretary General as the Chairman and the representatives of appropriate NSAs nominated by the Chairman. The nomination criteria included whether the representative sport was one of the participating sports in the respective games, the representation of NSA and the experience of the representative, etc.; and
- each member of the Selection Committee was required to complete a "declaration of interest form" before every meeting. If any potential conflicts of interest arose during the meeting, members were required to make verbal declaration and act in accordance with the "Summary of handling possible conflict of interest scenarios". If the selection decision was to be made by circulation of papers, the member with potential conflicts of interest was required to declare in the reply slip and was not allowed to vote on the related item.

14. With reference to paragraph 2.3(b) of the Audit Report, the Committee enquired about the review mechanism on the Selection Committee's decisions, and asked why the policy on the review mechanism was not set out in SF&OC's Articles

of Association. The Committee was concerned whether the review procedures were well publicized.

15. **Honorary Secretary General, SF&OC and Executive Director, SF&OC** advised at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 27*) that:

- under the review mechanism, which was part of the selection process, review requests were made by NSAs and handled by the Selection Committee. The selection mechanism (including the review procedures) had been adopted effectively for years with selection criteria adjusted in accordance with the requirements for different international games. The selection and appeal mechanism for international games, which was provided in the above letter, was disseminated to NSAs at SF&OC's Council meeting in August 2011, and was uploaded to SF&OC's website; and
- if any NSA wished to have its nominations be reviewed, it should file its review request letter with supporting information provided to the Chairman of the Selection Committee before the deadline of entry by name set by the SF&OC's Organizing Committee of respective games. The number of reviews requested by NSAs was not limited. The Selection Committee of the 18th Asian Games received a total of 120 athletes' nomination reviews from 21 NSAs, and 62 of which were finally accepted by the Selection Committee.

16. With reference to paragraphs 2.3(b) and 2.10 of the Audit Report, the Committee enquired about the selection criteria for persons to be included in the list of four to six members of the International Multi-Sports Games Appeal Panel ("the Appeal Panel"), the procedures for handling appeal cases and whether such procedures were clearly published to NSAs.

17. **Honorary Secretary General, SF&OC and Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 27*) that:

- the Appeal Panel for respective games was formed in accordance with Articles 53(5) and 53(6) of SF&OC's Articles of Association. The composition included the President of SF&OC as the Chairman, and

the Executive Director as the Secretary (with no voting rights). The list of four to six members of the Appeal Panel was proposed by the Board and endorsed at the annual general meeting for a tenure of four years. The current five members of the Appeal Panel were proposed by the Board through circulation of papers on 19 November 2018 and endorsed at the annual general meeting on 18 December 2018 for a tenure of four years;

- when the Appeal Panel convened a meeting, the Chairman would nominate two persons from the approved list to hear the appeal (i.e. a total of three persons including the Chairman), having regard to their availability and conflicts of interest. The Board would consider the reputation, recognition and professional background of the prospective members of the Appeal Panel when drawing up the list; and
- if any NSA was not satisfied with the results of the Selection Committee, it could file an appeal directly to the Chairman of the Appeal Panel. The Chairman would convene a meeting in accordance with Articles 53(5) and 53(6) of SF&OC's Articles of Association. The Appeal Panel would decide on the way forward for handling the appeal, such as the format of conducting the appeal meeting and submission of evidence, after taking into account the nature and complexity of the case and the supporting argument, etc. There had been no appeal cases lodged with the Appeal Panel so far.

18. The Committee asked whether SF&OC would consider making reference to the overseas practices as recommended in paragraphs 2.11 and 2.12 of the Audit Report to enhance the impartiality and transparency in the existing appeal mechanism. **Honorary Secretary General, SF&OC** responded at the public hearings and supplemented in his letter dated 3 June 2020 (*Appendix 27*) that the Board would study and consider Audit's recommendations, including similar appeal mechanisms adopted in some overseas countries, such as establishment of the Court of Arbitration for Sport, etc.

19. With reference to Table 5 in paragraph 2.7 of the Audit Report, the Committee sought the reasons for the slow progress in implementing the best practices on transparency in selecting athletes for participation in international games as set out in the "Best Practice Reference for Governance of National Sports

Associations - Towards Excellence in Sports Professional Development" ("BPR") drawn up in December 2011 by the Independent Commission Against Corruption.¹⁴

20. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** responded at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 27*) that SF&OC had achieved more than 80% of the 29 items on the BPR best practices relating to athlete selection, and aimed to achieve the remaining 20% by the next financial year.

21. With reference to Note 3 to Table 5 in paragraph 2.7 of the Audit Report, the Committee asked whether all NSAs had submitted to SF&OC a set of their own athlete selection criteria, and how SF&OC could ensure that NSAs would follow BPR and their own selection criteria.

22. **Honorary Secretary General, SF&OC** advised in his letter dated 3 June 2020 (*Appendix 27*) that during the selection process, NSAs were required to submit their own selection criteria to SF&OC for record. In view of the principle of respect for sporting autonomy and uniqueness, SF&OC had not reviewed whether the BPR best practices were fully implemented by NSAs. Nevertheless, with the provision of a time-limited funding of \$5 million per year for five years starting from 2020-2021 by HAB, SF&OC would allocate new resources to review the corporate governance of NSAs including but not limited to their selection mechanisms.

23. With reference to Case 1 in paragraph 2.9 of the Audit Report, the Committee asked why the deliberations on and justifications for the Selection Committee's decisions on the selection of athletes for participating in swimming events at the 18th Asian Games were not documented in the minutes of the meeting of the Selection Committee on 24 April 2018.

24. **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 27*) that as the selection meeting held on 24 April 2018 lasted for more than seven hours, the minutes of the meeting mainly recorded the selection

¹⁴ Best Practice Reference for Governance of National Sports Associations – Towards Excellence in Sports Professional Development (accessed on 29 June 2020):
https://cpas.icac.hk/EN/Info/Lib_List?cate_id=3&id=159

decisions only. A chronology of events from the submission of nominations by the relevant NSA on 19 April 2018 to the selection meeting on 24 April 2018 was provided in the above letter.

25. At the request of the Committee, **Honorary Secretary General, SF&OC** provided a circular issued by SF&OC to NSAs on 7 March 2018 (*Appendix 28*) setting out the four criteria for selecting athletes to participate in the 18th Asian Games, as mentioned in paragraph 1(a) to (d) of Case 1.¹⁵ According to the circular, one of the criteria required nominated athletes to achieve rank 1st to 8th in the specified international competitions and the top one-third of the total number of participants. The Committee questioned whether those international competitions specified in the circular were of similar scale and nature so that the results in these competitions submitted by different athletes were comparable and objective in assessing their performance.

26. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 10 June 2020 (*Appendix 29*) that the specified competitions were either multi-sports games hosted by the Olympic Council of Asia or highest-level competitions hosted by International Federation/Asian Federation, International Multi-sports Organizations recognized by IOC or General Administration of Sport. Being a member of IOC and the Olympic Council of Asia, SF&OC applied an equal standing for all these competitions. Athletes would be selected as a member of the Hong Kong, China Delegation if they achieved the required ranking in one of these competitions.

27. According to paragraph 3(b) of Case 1, the Selection Committee had taken into account other consideration factors, such as members of relay teams and holders of Hong Kong Sports Institute ("HKSI") Elite C scholarships, apart from the four announced criteria as mentioned in paragraph 25 above in selecting athletes for participating in the swimming events at the 18th Asian Games. The Committee was concerned whether the relevant NSA and its member swimming clubs, coaches and

¹⁵ The four athlete selection criteria for the 18th Asian Games included: (a) athletes' outstanding results in sports games (e.g. ranked 1st to 8th in 2014 to recent World or Asian Championships and ranked 1st to 8th in various multi-sports games, including 2014 Asian Games and 2017 Asian Indoor and Martial Arts Games); (b) participation in the Rio 2016 Olympic Games; (c) in the absence of (a) and (b) above, athletes' best performance in nominated events in years 2014 to 2018; and (d) NSAs' preparation plans for their athletes, including training and competitions in the coming six months leading to the 18th Asian Games.

athletes were well aware of these other factors to be considered in the selection exercise.

28. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** responded at the public hearings and **Honorary Secretary General, SF&OC** added in his letters dated 3 and 23 June 2020 (*Appendices 27 and 30* respectively) that:

- having taken into account the nominations submitted by NSAs, such as the number of nominations received and the number of athletes meeting the criteria in paragraph 1(a) and (b) of Case 1, the Selection Committee would discuss and determine the details of the criteria in paragraph 1(c) and (d) of Case 1 at the meeting (See Note 15 to paragraph 25 above). The details might vary with different games, but each multi-sports event would adopt the same set of criteria; and
- holder of HKSI Elite Training Grant was regarded as a consideration factor under the criterion in paragraph 1(c) of Case 1 (i.e. athletes' best performance in the nominated events in the past four years). NSAs were required to submit this information for each of their nominations, and thus they should clearly understand that this information was one of the important factors for consideration in the selection exercise.

29. At the request of the Committee, **Honorary Secretary General, SF&OC** provided in his letter dated 23 June 2020 (*Appendix 30*) the nomination form provided by SF&OC to NSAs and the letter of invitation for nominations issued by the NSA in Case 1 on 14 March 2018 to its member swimming clubs for the 18th Asian Games. The Committee observed that the nomination form distributed by SF&OC to NSAs provided a column for NSAs to fill in the information on the HKSI scholarships awarded to the nominated athlete, while the nomination invitation letter and its attached nomination form issued by the NSA in Case 1 showed no instructions requiring its member swimming clubs to submit information on the HKSI scholarships received by the nominee.

30. With respect to the selection criterion in paragraph 1(c) of Case 1, the Committee asked why athletes' best performance in the nominated events was, as advised by **Executive Director, SF&OC** at the public hearings, measured in terms of the rankings among all participants rather than their personal best times achieved in competitions. It was noted at the public hearings that specifically, the Selection Committee had drawn the line being in the top one-third among the total participants

of a sports event in international competitions when considering the best performance of athletes under this criterion (see paragraph 25 above).

31. **Mr YEUNG Tak-keung, Commissioner for Sports and Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** added in his letter dated 3 June 2020 (*Appendix 27*) that:

- most NSAs set their nomination criteria based on quantifiable factors, such as time, distance, etc., having regard to the uniqueness of their individual sports. The Selection Committee therefore adopted another set of objective criteria that could be equally applied to all sports. Athletes' rankings in international competitions were used as primary consideration for reflecting their competitiveness among other counterparts; and
- the ranking of 1st to 8th was adopted in most sports competition finals with eight participants, such as athletics, swimming, etc. The rule of top one-third of ranking was also commonly used in sports to ensure that the results achieved by an athlete reached the upper standard among the participants. The above two criteria were used by HKSI in considering the Elite Training Grant.

32. The Committee questioned whether it was appropriate for NSAs and SF&OC to adopt two different sets of criteria in nominating and selecting athletes respectively. Noting from **Honorary Secretary General, SF&OC** at the public hearings that SF&OC would review its existing athlete selection criteria, the Committee asked whether SF&OC would consider developing a standardized set of athlete selection criteria agreed by both NSAs and SF&OC, and making reference to overseas practices to select athletes in an open manner, for example, shortlisting athletes through selection competitions/qualifying matches, with a view to enhancing the transparency and objectivity of the selection process.

33. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** responded at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letters dated 10 and 23 June 2020 (*Appendices 29 and 30* respectively) that according to the Olympic Charter¹⁶ and established arrangement for participating in international games, SF&OC and NSAs had their own autonomy

¹⁶ See the website of IOC: <http://www.olympic.org>

and uniqueness in selecting athletes. The selection process should be conducted into two parts, namely nomination from NSAs and selection from SF&OC. NSAs should set their own nomination criteria based on the uniqueness of their respective sports, while the Selection Committee would select athletes taking into account a set of objective criteria that could be universally applied to all types of sports with a view to facilitating fairness and standardization in the selection system.

34. The Committee asked when the Head Swimming Coach of the Hong Kong, China Delegation made the decision on the athletes filling up the two places for the men's 100 metres ("m") breaststroke event in the 18th Asian Games after the Selection Committee had not selected any athletes for participating in that event at its meeting in April 2018. **Honorary Secretary General, SF&OC** gave two different answers at the first public hearing (i.e. a couple of days before the competition, and on the competition day). He subsequently clarified in his letter dated 3 June 2020 (*Appendix 27*) that the Head Swimming Coach selected two swimmers to fill the vacancies in the men's 100m breaststroke event¹⁷ upon the submission of entry form to SF&OC in June 2018. However, the Committee noted from the above letter that one of the above two swimmers was originally nominated by the relevant NSA for the men's 100m breaststroke event but his nomination had not been accepted by the Selection Committee. The Committee was thus concerned whether the Head Swimming Coach was required to seek prior approval from or report to the Selection Committee on his such arrangement, which departed from the Selection Committee's decision.

35. **Honorary Secretary General, SF&OC** responded in his letter dated 23 June 2020 (*Appendix 30*) that SF&OC understood that NSAs or their coaches might need to make necessary re-deployment of athletes for participating in sports events upon submission of entry by name or right before the competition having regard to the competition schedule, athletes' performance and strategic plan, etc. Therefore, SF&OC respected the professional judgement and decisions made by NSAs for such changes provided that the athletes concerned were on the approved list of athletes taking part in the competition and the re-deployment made no change to the number of participating athletes.

¹⁷ One swimmer had already been selected for participating in men's 50m breaststroke and the other for men's 200m breaststroke by the Selection Committee.

36. The Committee sought confirmation from SF&OC on an incident revealed on the social network about an athlete who was selected by the Selection Committee for competing in men's 50m breaststroke in the 18th Asian Games suffered lower limb injury and received surgery three months before the competition. SF&OC confirmed this incident and provided a letter from the Head Swimming Coach of the Hong Kong, China Delegation with details of the case at the fourth public hearing. SF&OC admitted that it was not aware of the incident until the matter was raised at the public hearings. Noting from the circular issued by SF&OC to NSAs on 7 March 2018 (*Appendix 28*) that one of the selection criteria for participating in the 18th Asian Games required athletes to pass a medical check-up demonstrating fitness for competition, the Committee asked whether there was any mechanism put in place by SF&OC for head coaches or athletes to report any material incidents that might affect athletes' fitness for competition after the selection exercise.

37. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** responded at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 23 June 2020 (*Appendix 30*) that according to the approval letter to take part in competition issued by SF&OC to NSAs and the undertaking signed by athletes, NSAs and the approved athletes should ensure that the athletes kept their physical conditions up to standard and avoid injuries as far as possible. Apart from the medical reports provided by HKSI for its scholarship holders or by SF&OC's Honorary Medical Advisor for non-HKSI scholarship holders indicating selected athletes' fitness for competition, the reporting of any incidents affecting athletes' physical fitness after the selection exercise currently only relied on notification by NSAs of their own accord. SF&OC would actively consider putting in place a reporting mechanism for such incidents.

38. The Committee asked when the medical check-up would normally be conducted for nominated athletes and whether the medical report on the athlete's fitness for competition was required to be submitted with the nomination form. **Honorary Secretary General, SF&OC** advised in his letter dated 23 June 2020 (*Appendix 30*) that after the first meeting of the Selection Committee, SF&OC would issue a circular to NSAs on the medical check-up arrangement for the athletes on the approved list.

39. On the Committee's question about the substitution arrangement for the withdrawal of athletes from competition, **Honorary Secretary General, SF&OC** advised at the public hearings and supplemented in his letter dated 23 June 2020 (*Appendix 30*) that if an approved athlete was not able to attend a competition, the

relevant NSA might assign another athlete selected from the approved list of athletes to take up the place. SF&OC respected the professional judgement and arrangement made by NSAs. If a non-approved athlete was selected, the relevant NSA was required to submit a new nomination with supplementary information provided to the Selection Committee for consideration.

40. As advised by **Honorary Secretary General, SF&OC** at the public hearings, there were three cases of review against the selection decisions of the Selection Committee on the swimming events in the 18th Asian Games. At the request of the Committee, **Honorary Secretary General, SF&OC** provided in his letter dated 3 June 2020 (*Appendix 27*) a chronology of events in respect of the review process.

41. The Committee noted from the above chronology of the review process that one of the athletes' review requests was submitted together with a letter from his coach mentioning the athlete's lack of normal training and performance drop in the recent years. The Committee further requested SF&OC to provide all the information related to the athlete's review case, including a full copy of the above letter from the coach. After scrutinizing the information, the Committee found that the part extracted by SF&OC from the coach's letter was taken out of context and had left out the justifications provided by the coach to request the Selection Committee to consider the review case on compassionate grounds.

42. Noting from *Appendix 27* that the review exercise was conducted by circulation of papers to members of the Selection Committee, the Committee asked why the Selection Committee did not hold a meeting to discuss and consider the review cases, and how SF&OC could ensure that sufficient time was allowed for the review and appeal process before the finalization of the list of members of the Hong Kong, China Delegation.

43. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** added in his letter dated 10 June 2020 (*Appendix 29*) that:

- since the number of reviews requested by NSAs was unlimited and NSAs might submit their review requests at different times, it was difficult for the Selection Committee to fix a meeting schedule in advance. In the circumstances, the SF&OC Secretariat would

circulate the review requests to the Selection Committee members for their prompt response once a certain number of cases were received. Having considered that the athletes' basic information had been well discussed during the selection meeting, members of the Selection Committee would mainly consider through circulation of papers the additional information and supporting grounds provided by NSAs; and

- NSAs could, having regard to their own circumstances, submit their review requests to the Selection Committee or appeal direct to the Appeal Panel at any time before the deadline of entry by name. SF&OC would follow up immediately upon receipt of the case taking into account the deadline of entry by name.

44. The Committee observed that in the review process, members of the Selection Committee were only requested to indicate in a reply slip whether they accepted the nomination, but were not required to provide the justifications for their individual decisions made on each of the review cases.

45. With reference to Case 2 in paragraph 2.19 of the Audit Report, the Committee asked why it took SF&OC two years (from 2016 to 2018) to handle the case. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 27*) that SF&OC considered that sufficient time should be allowed for the NSA concerned to improve its internal management efficiency and the selection mechanism. During the period from 2016 to 2018, SF&OC had maintained communication with both the NSA concerned and the complainants in the hope that the former could make improvement. However, SF&OC had not observed any substantial improvement made by the NSA concerned. At the general meeting of SF&OC held on 8 June 2018, it was resolved that the membership of the NSA concerned be suspended indefinitely. **Honorary Secretary General, SF&OC** provided in his letter dated 3 June 2020 (*Appendix 31*) the chronology in respect of the handling of Case 2 by SF&OC from June 2016 to September 2019.

46. In response to the Committee's enquiry about the latest development of Case 2, **Honorary Secretary General, SF&OC** advised in his letter dated 3 June 2020 (*Appendix 31*) that the two observers nominated by the Board of SF&OC would submit a report by the end of September 2020 to make recommendations in respect of the reinstatement of the membership of the NSA concerned.

47. On the Committee's question as to whether the suspension of the membership of the NSA in Case 2 had brought any adverse impact on athletes, **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** responded at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 31*) that the membership suspension of the relevant NSA mainly affected its right to select athletes to participate in international games under the jurisdiction of SF&OC and its right to attend all meetings/events/programmes of SF&OC. Nevertheless, SF&OC had formed an independent provisional selection panel for selecting athletes of the relevant sport to participate in the 18th Asian Games.

48. In response to the Committee's enquiry about the handling procedures for public complaints against NSA members by SF&OC, **Honorary Secretary General, SF&OC** advised in his letter dated 3 June 2020 (*Appendix 31*) that upon receiving complaints against NSA members, SF&OC would, with the complainant's consent, forward the case to the relevant NSA for follow-up actions. The progress of complaint cases about NSA members would be reported and discussed at the meetings of the Membership Affairs Committee in a timely manner.

49. According to paragraph 2 of Case 2, SF&OC was not empowered to investigate complaint cases. The Committee asked why SF&OC subsequently looked into the complaints against the relevant NSA in Case 2 in June 2016.

50. **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 27*) that without the power of investigation, SF&OC could only handle the complaint case based on the information provided by the relevant NSA and the complainants. In view of the substantial increase in the complaints against the NSA concerned, SF&OC had taken a series of follow-up actions and discussed the case regularly at the meetings of the Board and the Membership Affairs Committee. As no substantial improvement was made by the relevant NSA, SF&OC decided to hold a general meeting in accordance with the Articles of Association for discussion on the handling of this case. With the provision of a time-limited funding of \$5 million per year for five years starting from 2020-2021 by HAB, SF&OC would review the corporate governance of NSAs, including the monitoring of their compliance with the requirements of the Olympic Charter, the Code of Ethics of IOC¹⁸ and SF&OC's Articles of Association, etc.

¹⁸ See the website of IOC: <http://www.olympic.org>

51. The Committee asked whether there was any mechanism put in place by SF&OC for NSA members to appeal against the decisions made by SF&OC in respect of membership affairs, such as the suspension of membership, and the actions that an NSA could take if it disagreed with SF&OC's decisions.

52. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** advised at the public hearings, and **Honorary Secretary General, SF&OC** supplemented in his letter dated 3 June 2020 (*Appendix 31*) that according to Article 59(4) of SF&OC's Articles of Association, "[a] member may appeal against a decision made by the general meeting, the Board of Officers or any committee under these Articles by written notice delivered to the Federation within 21 days from the date of the decision". The relevant procedure was contained in the press release on the suspension of membership of the NSA in Case 2, which was provided in the above letter.

53. The Committee asked how SF&OC could ensure NSA members' compliance with the requirements of the Olympic Charter, the Code of Ethics of IOC, SF&OC's Articles of Association and BPR given that no monitoring mechanism was established by SF&OC for such purpose.

54. **Honorary Secretary General, SF&OC** advised in his letter dated 3 June 2020 (*Appendix 27*) that with the provision of a time-limited funding of \$5 million per year for five years starting from 2020-2021 by HAB, SF&OC would allocate the new resources to review corporate governance of NSAs including but not limited to reviewing their Articles of Associations, the composition of their executive boards and election mechanisms, athlete selection mechanism, financial reporting and auditing compliances, etc.

55. Referring to paragraphs 2.24 to 2.26 of the Audit Report about the slow progress of some athletes in English online course provided under HKACEP, the Committee enquired about the measures to support them and to monitor their study performance. **Honorary Secretary General, SF&OC** advised at the public hearings and supplemented in his letter dated 9 June 2020 (*Appendix 32*) that:

- the Office of HKACEP had liaised with the course provider to offer appropriate assistance to the athlete participants with learning difficulties, such as re-assigning appropriate level of English online

course, providing private tutorial lessons and face-to-face workshops; and

- the Office of HKACEP had also introduced a new regulation that course participants were required to advance one level in four years after the successful enrolment or advancement of one level. Those who failed to meet the above requirement would be requested to drop out.

56. Referring to Table 8 in paragraph 2.29 of the Audit Report about the claiming status of HKACEP scholarships by athletes, the Committee asked how the unclaimed scholarships would be handled and whether SF&OC would consider setting a time limit for claiming scholarships by athletes.

57. **Executive Director, SF&OC** advised at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that the unclaimed scholarships would be returned to the HKACEP Education Scholarship Reserve Fund for other new eligible applications. To better monitor the claiming of scholarships by athletes, the Office of HKACEP had imposed a new regulation that all applicants were required to submit and follow the reimbursement schedules set out in their undertaking forms, and to make the first reimbursement within 24 months. Failure to do so would lead to cancellation of the approved scholarship.

58. On the Committee's question as to whether the HKACEP Committee of SF&OC had regularly discussed or reviewed the support measures for the further development of retiring or retired athletes, **Commissioner for Sports and Honorary Secretary General, SF&OC** advised at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that the HKACEP Committee held ten meetings in the past three years, and had introduced a number of supporting initiatives for retiring or retired athletes as follows:

- the launch of Enhancement of HKACEP Education Scholarship Programmes, Ontario eSchool Athlete Scholarship Programme and Test of English for International Communication were aimed at promoting and facilitating the further study of serving and retired athletes;

- the introduction of "Stars to Shine Mentorship Programme", which was aimed at providing newly retired Hong Kong athletes (mentees) with an additional avenue of learning through experience sharing and interaction with seasoned retired famous Hong Kong athletes who had successfully developed their second career and gained a wealth of working experience (mentors);
- the Office of HKACEP would organize a series of new and practical courses conducive to athletes' integration into the mainstream society and future career development or transformation; and
- new team building activity would also be conducted to sharpen athletes' positive mindset and interpersonal skills, enhance HKACEP's bonding with the existing athlete members and attract new athlete members to join the life skills training programme.

59. Noting from the public hearings that a cadre of 30 part-time Doping Control Officers ("DCOs") was set up to assist in conducting doping tests for athletes, the Committee sought the details about the employment of these part-time staff, as well as the staff establishment and strength of the Office of HKADC.

60. **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that recruitment advertisement of the post of DCO would be publicly posted on the website of HKADC and forwarded to some organizations such as the Auxiliary Medical Service when vacancy arose. Certified DCOs were remunerated for their services at \$880 for out-of-competition test and at \$220 per hour for in-competition test. New recruits must attend mandatory basic training and examinations for certification. After successful certification, DCOs must attend annual training and a re-certification examination every two years. The Office of HKADC had an establishment of seven staff members and further details were provided in the above letter.

61. Referring to paragraphs 2.37 and 2.38 of the Audit Report regarding the unsuccessful attempts to conduct doping test by the Office of HKADC from 2014-2015 to 2018-2019, the Committee was advised at the public hearings that the Office of HKADC had not sent emails requesting two of the six athletes to report on their whereabouts because they had already provided the updates to the Office but just the updated information could not reach DCOs in time. The Committee sought

the work flow from updating information by athletes to forwarding such information to DCOs, and the measures to prevent the reoccurrence of such cases.

62. **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** added in his letter dated 9 June 2020 (*Appendix 32*) that:

- in order for the Office of HKADC to conduct doping test without advance notice, athletes were required to submit information on their expected whereabouts to an online system on a quarterly basis, and update the information anytime during the quarter when required. Based on the submitted information on whereabouts, the Office of HKADC would then assign the task to DCOs within a specified period before the day of collection of samples; and
- with the implementation of new internal guidelines, if an athlete made the update before the assigned DCO performed the duty, the Office of HKADC would be alerted and immediately inform the responsible DCO of the change as far as practicable. To ensure strict adherence to the anti-doping requirements, enhanced workflow would be implemented by the Office of HKADC and a more senior staff of the Office would be assigned to follow up on the cases.

63. With reference to paragraph 2.38 of the Audit Report, the Committee asked why the Office of HKADC had not asked all the six athletes at any point in time to provide explanations for not being able to be located, and why subsequently no doping test had been conducted for Athletes E and G.

64. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that the World Anti-Doping Agency had only formulated guidelines for the management of unsuccessful attempts on top tier athletes under which notice was required to be issued to request explanations from these athletes. As the six athletes were from a lower tier, the Office of HKADC misunderstood that such requirement was not applicable to them. However, the Office of HKADC had actually put in place guidelines for the management of unsuccessful attempts on lower tier athletes. For the cases of Athletes E and G, no doping tests were conducted for them because

doping tests were performed on athletes on a random basis and the two athletes were not selected.

65. The Committee asked whether the Office of HKADC had taken disciplinary actions against the athletes who failed to comply with the anti-doping requirements in the past five years and whether there was an internal appeal mechanism in the disciplinary procedures. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** advised at the public hearings and **Honorary Secretary General, SF&OC** added in his letter dated 9 June 2020 (*Appendix 32*) that:

- disciplinary actions, such as prohibition against participation in competition, would be taken if an athlete had accumulated a certain number of failures to update whereabouts information within a period. The number of whereabouts failures recorded in the past five years was 24 times, but no athlete had accumulated the number of failures up to the limit that would lead to disciplinary actions. Nonetheless, notices had been issued to the athletes with records of whereabouts failures; and
- athletes could request an administrative review on each record of whereabouts failure. The review would be conducted by the Doping Control Panel, which currently consisted of a Chairman and four members. In the past five years, the Panel had dealt with two administrative review cases through circulation of papers, and all the decisions made were to uphold the whereabouts failure records of the relevant athletes.

66. With reference to Table 10 in paragraph 2.47 of the Audit Report, the Committee sought the reasons for the large variations in general in the average gross floor area per staff of NSAs in the Olympic House in 2018-2019, and the remedial measures to improve the allocation of office spaces in the Olympic House. **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that:

- the office spaces in the Olympic House for each tenant NSA were allocated based on the number and the rank of its staff members by the

then Hong Kong Sports Development Board.¹⁹ After the taking over of the building by SF&OC in 2004, the development of Hong Kong sports had been growing tremendously, along with the surging number of tenants' staff, which resulted in the disparity of the average gross floor area per staff among tenants; and

- to address the over-crowded situation of the Olympic House in the short term, MCOHL would, in consultation with HAB, review and re-allocate the office spaces taking into account the existing staff number of each tenant.

67. With reference to paragraph 2.51 of the Audit Report, the Committee asked whether HAB and SF&OC would consider Audit's recommendation of converting some meeting rooms or board room with low utilization rates into office spaces. **Secretary for Home Affairs** responded at the public hearings and **Honorary Secretary General, SF&OC** added in his letter dated 9 June 2020 (*Appendix 32*) that after studying the existing staff number of each tenant and the possibility of re-allocating the tenants' offices in the Olympic House, MCOHL would liaise with HAB to explore the feasibility of converting some meeting rooms into office spaces. The initial proposal would be put forward in the current fiscal year. In the meantime, MCOHL would also strengthen the promotion to the public on the use of the meeting facilities in the Olympic House.

68. With reference to paragraph 2.54 of the Audit Report, the Committee enquired about the collaborative efforts to be made by HAB in taking forward the redevelopment of the Olympic House with SF&OC, the short- and long-term measures to address the over-crowding in the Olympic House and the long-term requirement for office spaces by NSA tenants.

69. **Secretary for Home Affairs** and **Commissioner for Sports** advised at the public hearings and **Secretary for Home Affairs** supplemented in his letter dated 9 June 2020 (*Appendix 33*) that the Financial Secretary announced in the 2018-2019 Budget that a technical feasibility study would be conducted on the redevelopment of the Olympic House. HAB had been actively following up the matter and joined hands with SF&OC to take forward the preparatory work. SF&OC had

¹⁹ The Hong Kong Sports Development Board, which was established in 1990 under the Hong Kong Sports Development Board Ordinance (Cap. 1149) for the promotion and development of sports and physical recreation, was dissolved in June 2004.

preliminarily worked out the overall requirements for office and activity space after consulting various NSAs. HAB was assessing SF&OC's proposal with the relevant departments and conducting the traffic and noise impact assessments. Upon completion of the assessments, HAB would consult the Wan Chai District Council and work with the Architectural Services Department on the technical feasibility study and the works schedule.

70. **Honorary Secretary General, SF&OC** added in his letter dated 9 June 2020 (*Appendix 32*) that SF&OC had reflected to HAB the over-crowded situation of the Olympic House since 2011. In 2013, SF&OC proposed using some areas of the office building in the Kai Tak Sports Park as the office accommodation for NSAs. In 2015, SF&OC issued a questionnaire to gauge the accommodation needs of NSAs in the Kai Tak Sports Park. After the Olympic House redevelopment project was put forth in the 2018-2019 Budget, HAB started to discuss regularly with SF&OC the technical feasibility study. During the period from 2018 to 2020, HAB and SF&OC collected statistics on the five-year plan and manpower forecast of each NSA, with a view to facilitating the office space allocation in the future Olympic House.

71. With reference to paragraph 2.59(a) of the Audit Report, the Committee enquired about the improvement measures to address improper procurement practices, to avoid sole and single source procurement as far as possible, and to ensure proper documentation for decisions to adopt single quotations.

72. **Executive Director, SF&OC** responded at the public hearings and **Honorary Secretary General, SF&OC** added in his letter dated 9 June 2020 (*Appendix 32*) that SF&OC had reviewed the 20 procurements made on the basis of single quotation as mentioned in the Audit Report, and had already rectified the relevant procurement practices to ensure that all purchases of goods and services complied with the procurement requirements by obtaining the required numbers of written quotations and seeking approval from the appropriate authorities. Details of the above 20 procurements (including the follow-up actions taken by SF&OC) and the procurement requisition forms indicating the level of authorization required were provided in the above letter.

73. With reference to paragraph 2.59(b) of the Audit Report, the Committee asked whether there were any guidelines in place on the setting of maximum reimbursable amount. **Executive Director, SF&OC** responded at the public

hearings and **Honorary Secretary General, SF&OC** further explained in his letter dated 9 June 2020 (*Appendix 32*) that:

- to set a maximum reimbursable amount for air fare, SF&OC would make reference to the air fares for the economy class trip previously purchased for different games attended by members of the Hong Kong, China Delegation. As an illustration, SF&OC had received a request from a few athletes and coaches, who had to travel to other cities for another competition immediately after the 18th Asian Games, for reimbursing the payment of air fares to be made by them for attending that competition. The request was submitted to Honorary Secretary General for consideration and a maximum reimbursable amount was suggested with reference to the average air fare for economy class round trip made by other members of the Hong Kong, China Delegation (i.e. the air fare offered under the sponsorship agreement), which was lower than the amount approved by HAB. After obtaining Honorary Secretary General's approval, the NSA concerned was requested to present the original invoices within one month after the conclusion of the 18th Asian Games for reimbursement; and
- SF&OC would try to formulate guidelines on fee reimbursement before the games, and emphasize to NSAs the importance of following the guidelines.

74. With reference to paragraph 2.59(c) of the Audit Report, the Committee enquired about the process of sourcing and deciding on the airline companies with which the sponsorship agreements were signed. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** added in his letter dated 9 June 2020 (*Appendix 32*) that:

- the Organizing Committee of SF&OC would usually conduct a Chef de Mission Seminar half to one year before the games. After the seminar, SF&OC would decide the route for members of the Hong Kong, China Delegation to the games cities taking into account factors including port of entry, shortest route between Hong Kong and the games cities, frequency of flights, baggage transfer, etc.; and
- as required by the HAB subvention approval letter, SF&OC would then approach the airlines offering flights to the selected route for the provision of sponsorship, including discounted air fare, excess baggage

allowance and transit facilitation, etc. If the airline could provide the requested arrangement, SF&OC would discuss with the airline further details on the sponsorship agreement. The sponsorship agreement would be reviewed by Honorary Secretary General before submission to the President for signature. SF&OC would then make the procurement with the airline according to the exemptions for the purchase made under sponsorship agreement as set out in the procurement guidelines.

75. The Committee was concerned whether exempting the purchase made under sponsorship agreements from procurement requirements would give rise to corruption risks, and whether SF&OC would conduct any review or implement measures to enhance the transparency in making sponsorship agreement and to facilitate the monitoring by the management.

76. **Honorary Secretary General, SF&OC** responded at the public hearings and added in his letter dated 9 June 2020 (*Appendix 32*) that since the sponsorship agreement would be vetted by different levels of staff and directors, the risk level was reduced to a minimum. Nevertheless, SF&OC would, in response to Audit's recommendation, draw up guidelines for exemption procedure and obtain quotations from other airlines which could fulfill the same service requirements.

77. Referring to paragraph 2.59(d) of the Audit Report about the procurement of a two-year maintenance service for the passenger lift in the Olympic House, the Committee sought the reasons why the procurement was made without obtaining the required number of written quotation and approving authority.

78. **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that the responsible staff members by mistake had only invited quotations from two instead of three service providers as required, and had not sought the approval from the President via a director in accordance with the procurement guidelines. The staff members concerned had been reminded to observe the relevant procurement requirements.

C. Government funding and monitoring

79. With reference to paragraph 3.5(c) of the Audit Report, the Committee enquired about the updated position of the one-off allocations totalling \$27 million to SF&OC and MCOHL. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** advised at the public hearings and **Honorary Secretary General, SF&OC** provided in his letter dated 3 June 2020 (*Appendix 27*) the relevant information as at 31 March 2020. **Honorary Secretary General, SF&OC** also explained in the above letter that the one-off allocations were only provided by HAB to cover the programme expenses of the Office of HKACEP, the Office of HKADC and MCOHL. The deficits mentioned in paragraph 3.5(c) of the Audit Report were incurred mainly due to the fact that HAB had not increased the recurrent subvention since 2014-2015 to cover the salary adjustment and inflated office expenses. The deficits were subsequently financed by SF&OC's own funding.

80. With reference to paragraphs 3.7 and 3.8 of the Audit Report, the Committee sought explanations for the long delays in making the second quarterly payment of recurrent subvention by HAB to SF&OC in 2017-2018 (i.e. 104 days of delay), and the last three quarterly payments in 2018-2019 (over 30 days of delay for each instalment). The Committee enquired about the measures to ensure timely disbursement of recurrent subventions to SF&OC and MCOHL.

81. **Commissioner for Sports** explained at the public hearings and **Secretary for Home Affairs** supplemented in his letter dated 9 June 2020 (*Appendix 33*) that:

- the second quarterly payment of subvention to SF&OC in 2017-2018 was delayed because the staff handling the case failed to process the disbursement in a timely manner, whereas the delay in the last three quarterly payments in 2018-2019 was due to misunderstanding by the staff handling the case that the disbursements should be made after the latest quarterly report was scrutinized; and
- HAB would step up its internal monitoring to make sure that the matter was attended to by the handling officer in good time, and arrange internal staff redeployment to ensure that the subvention was disbursed in accordance with the payment schedule as specified in the subvention agreement. HAB was following up with MCOHL Audit's recommendations to prescribe a payment schedule of disbursement and suitably adjust the deadline for submission of the quarterly management accounts by revising the relevant clauses in the

subvention agreement. The related amendment work was expected to be completed within June 2020.

82. Noting that the funding agreements between the Government and SF&OC and MCOHL for the provision of subventions in 2019-2020 (*Appendix 34*) were signed in July 2019, the Committee asked why there was a three months' delay in signing the agreements, and whether such delay had caused late disbursement of recurrent subventions to SF&OC and MCOHL, and hence resulted in their operational difficulties.

83. **Secretary for Home Affairs, Commissioner for Sports and Honorary Secretary General, SF&OC** explained at the public hearings and **Secretary for Home Affairs** supplemented in his letter dated 9 June 2020 (*Appendix 33*) that:

- as a general practice, SF&OC submitted its annual work plan and budget (including those of MCOHL) for the following financial year for consideration by HAB at the beginning of a year (usually in January or February). After the vetting procedure, HAB would discuss with SF&OC the details before signing the subvention agreements with SF&OC and MCOHL respectively. This process would take about four months, and thus the subvention agreements were normally signed in May or June each year;
- for the subvention agreements for 2019-2020, SF&OC had included a funding proposal for a new initiative in its 2019-2020 work plan and budget on which HAB and SF&OC had some discussion before the work plan and budget were finalized. HAB had also reviewed, in consultation with SF&OC and MCOHL, the text of the subvention agreements and made some textual amendments. As a result, the whole process took more time than usual; and
- after the subvention agreements were signed on 11 July 2019, the first quarterly payment for 2019-2020 was disbursed to SF&OC on 24 July 2019 in compliance with the payment schedule as prescribed in the subvention agreement (i.e. ten working days after the signing of the agreement). SF&OC was well aware of the progress, and had made appropriate operational arrangements. In response to Audit's recommendation, HAB would work closely with SF&OC to expedite the signing of subvention agreements in future.

84. With reference to paragraph 3.11 of the Audit Report, the Committee sought the reasons for charging SLCL, which was operating on a self-financing basis, a monthly management fee at subvented rate and the follow-up actions in respect of the management fees of \$345,880 undercharged since the establishment of SLCL in 2015 up to 2018-2019.

85. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that the undercharged management fees would be settled by SF&OC. While further discussion with HAB (i.e. the landlord) was needed on the future charging arrangement for the management fees of SLCL, necessary measures would be taken by SF&OC to avoid the reoccurrence of the cross-subsidization of self-financing activities by subvented programmes.

86. With reference to paragraphs 3.14 and 3.15(d) of the Audit Report, the Committee enquired about the follow-up actions taken by HAB in respect of Audit's suggestion of including MCOHL in the list of organizations receiving recurrent funding from the Government in accordance with the Financial Circular No. 9/2004.²⁰

87. **Commissioner for Sports** responded at the public hearings and **Secretary for Home Affairs** further explained in his letter dated 9 June 2020 (*Appendix 33*) that not all organizations receiving recurrent funding from the Government were explicitly spelt out in the list. Some organizations were listed out by category only. HAB was consulting the Financial Services and the Treasury Bureau on Audit's recommendation and would conclude the relevant follow-up action within June 2020.

88. With reference to paragraph 3.17(a) of the Audit Report, the Committee sought the justifications for HAB's decision to substantially increase its recurrent subvention to SF&OC from \$20 million in 2019-2020 to \$40.6 million in 2020-2021, the job duties of new staff to be covered by the new resources, the expected

²⁰ According to the Financial Circular No. 9/2004 "Guidelines on the Management and Control of Government Funding for Subvented Organisations", the Directors of Bureaux are required to notify the Financial Services and the Treasury Bureau of additions to/deletions from the list of organizations receiving recurrent funding from the Government.

deliverables from SF&OC, and the new/revised performance indicators and targets to ensure that the new funding would be used in a value for money manner.

89. **Secretary for Home Affairs** and **Commissioner for Sports** explained at the public hearings and **Secretary for Home Affairs** supplemented in his letter dated 3 June 2020 (*Appendix 35*) that:

- in view of the increase in SF&OC's operating costs due to inflation and implementation of new initiatives in recent years, such as the coordination of Hong Kong teams' participation in new international games (including the 6th Children of Asia International Sports Games in 2016, the 1st Winter Children of Asia International Sports Games in 2019 and the 2019 World Beach Games), the launch of the newsletter "Olympic Voice of Hong Kong" in 2015, etc., the recurrent subvention provided by HAB could not fully meet the expenses of the subvented activities and therefore resulted in SF&OC's operating deficits;
- the additional allocation would also be used to strengthen the manpower support of SF&OC, meet its increasing operating costs, enhance the anti-doping work, provide more opportunities for young athletes to participate in overseas training and exchange programmes, etc.; and
- as regards new performance indicators and targets and expected deliverables for the additional subvention, HAB was still in discussion with SF&OC on the details and would include them in the subvention agreement to be signed. HAB would monitor SF&OC's performance and use of subvention by way of quarterly and annual reports to be submitted by SF&OC.

90. With reference to paragraph 3.24 of the Audit Report, the Committee sought the explanation for the under-achievement of 33% in the performance indicator on the attendance to international conference or training courses in 2014-2015, and the rationale behind setting the performance indicator on the production of annual reports on anti-doping activities, which had not been achieved by SF&OC from 2015-2016 to 2017-2018.

91. **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that:

- the performance target on the attendance to international conference or training courses was not met in 2014-2015 because the position of Head of Office was vacant for about four months in the year, and the number of conference/training courses attended decreased; and
- the performance indicator on the production of annual reports on anti-doping activities was set to reflect the work of SF&OC in preparing the above annual report, which summarized statistics and information on NSAs' participation in the testing programme and education programme.

92. The Committee asked why HAB had not taken any follow-up actions in respect of the under-achievement in performance indicators by SF&OC and MCOHL in the period from 2014-2015 to 2018-2019 and SF&OC and MCOHL had also not provided any explanations for their failure to meet the performance targets during the period. The Committee enquired about the improvement measures to address the issue.

93. **Commissioner for Sports** explained at the public hearings and **Secretary for Home Affairs** supplemented in his letter dated 9 June 2020 (*Appendix 33*) that when vetting the quarterly reports and management accounts of SF&OC and MCOHL for the period from 2014-2015 to 2018-2019, the officer handling those submissions failed to take follow-up actions on the under-achievement of the performance indicators. The responsible officer had been reminded of the need to examine carefully the reports and take appropriate follow-up actions. HAB would prepare a checklist to facilitate the relevant officers in their assessment on the performance of SF&OC and MCOHL against the indicators. HAB would also step up the monitoring of the performance of SF&OC and MCOHL by deploying staff to review the quarterly reports and take follow-up actions as appropriate.

94. **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 9 June 2020 (*Appendix 32*) that in view of the under-achievement in certain performance indicators over the past years, SF&OC had already established more realistic

indicators since 2018-2019 to better reflect the performance of SF&OC and MCOHL.

95. According to paragraphs 3.28 to 3.30 of the Audit Report, MCOHL had not disclosed in its annual reports of 2014-2015 to 2018-2019 the remuneration of staff of all the top three tiers, which amounted to \$3.25 million in 2018-2019, as required by the subvention agreement. The Committee asked why HAB had not taken any follow-up actions in this regard.

96. **Secretary for Home Affairs** and **Commissioner for Sports** responded at the public hearings and **Secretary for Home Affairs** further explained in his letter dated 9 June 2020 (*Appendix 33*) that in its annual reports for the past five years, MCOHL had disclosed the total remuneration of its top three management staff members (i.e. one Manager and two Assistant Managers). The handling officer of HAB had mistaken such disclosure as being compliant with the relevant requirement in the subvention agreement. HAB would remind MCOHL of the need to make the disclosure in accordance with the subvention agreement and monitor MCOHL's follow-up action in this regard.

97. With reference to paragraphs 3.33 and 3.34 of the Audit Report, the Committee expressed concern over the slow progress of SF&OC in implementing BPR best practices on board governance, integrity management, administration of membership and general administration. The Committee sought the implementation timetable for the outstanding items of these best practices, in particular those relating to membership affairs, and HAB's follow-up actions in this regard.

98. **Secretary for Home Affairs** and **Commissioner for Sports** responded at the public hearings and **Secretary for Home Affairs** supplemented in his letter dated 9 June 2020 (*Appendix 33*) that SF&OC would endeavour to implement the best practices laid down in BPR, including those relating to enhancing the transparency in the admission requirements for membership, for example, by uploading the application form, admission requirements and procedures to its website.

99. **Honorary Secretary General, SF&OC** indicated in his letter dated 9 June 2020 (*Appendix 32*) that the follow-up actions in respect of the outstanding items relating to board governance would be discussed at the Board meeting in June 2020. For those relating to integrity management, some had been implemented and the

remainder would be completed in the next appointment of Board members. As for those relating to administration of membership, all the outstanding items would be completed by the end of 2020. The implementation timetable was provided in the above letter.

100. According to paragraph 3.38(d) of the Audit Report, HAB would provide SF&OC with a time-limited funding of \$5 million per year for five years starting from 2020-2021 to support a review by SF&OC on the operation and internal monitoring mechanism of NSAs. The Committee enquired about the scope and timeframe for the review, and asked when HAB would report the outcome of the review to the relevant committee of the Legislative Council.

101. **Secretary for Home Affairs and Commissioner for Sports** advised at the public hearings and **Secretary for Home Affairs** supplemented in his letter dated 3 June 2020 (*Appendix 35*) that:

- SF&OC would establish a steering committee comprising independent professionals to oversee the review. A dedicated team of full-time staff would also be recruited to carry out the various tasks of the review, including:
 - (a) examining the operation of all NSAs, including the conduct of an audit on their Articles of Associations, composition of executive boards and election mechanism, athlete selection mechanism and appeal mechanism, membership application mechanism, financial reporting and auditing compliance, the progress of implementing the BPR best practices, as well as the status of compliance with the Olympic Charter, the Code of Ethics of IOC and SF&OC's Articles of Association;
 - (b) preparing a comprehensive report on the review findings and recommendations for improvement;
 - (c) formulating a code of governance for compliance by all NSAs and considering incorporating BPR best practices into the code of governance;
 - (d) arranging regular thematic seminars for serving and new office bearers and staff of NSAs;

- (e) implementing the recommendations for improvement and monitoring the compliance by NSAs; and
 - (f) compiling an annual report on the progress of the review and the implementation of the recommendations; and
- HAB was discussing with SF&OC the timeframe for the review exercise and would brief the Panel on Home Affairs of the Legislative Council on the review findings in due course.

102. The Committee was concerned how SF&OC would take forward the review exercise, and why SF&OC intended to set up an independent steering committee instead of engaging external parties to oversee the implementation of the review.

103. **Honorary Secretary General, SF&OC and Executive Director, SF&OC** advised at the public hearings and **Honorary Secretary General, SF&OC** added in his letter dated 3 June 2020 (*Appendix 27*) that:

- with the provision of the new funding by HAB, SF&OC would continue its educational efforts in promoting the implementation of BPR, and compliance with the requirements of the Olympic Charter, the Code of Ethics of IOC and SF&OC's Articles of Association, etc. by NSAs. Based on the findings of the review, SF&OC would establish an assessment mechanism for reviewing the BPR implementation and compliance with the above requirements by NSAs;
- in taking forward the review, SF&OC would conduct a consultation exercise on the difficulties encountered by NSAs in corporate governance. SF&OC expected that the consultation and the review would be completed in two years, and then would submit a comprehensive report to HAB; and
- the Board initially planned to set up a steering committee composed of voluntary professionals to monitor the progress of NSAs and SF&OC in the governance enhancement and the implementation of the recommendations in the Audit Report by SF&OC. The appointment of a steering committee would be made by the Board/general meeting of SF&OC. To ensure the credibility of the steering committee, SF&OC would consider the recommendations of the Government and professional organizations and make reference to the overseas practices

in selecting members of the steering committee. To enhance the transparency in conducting the review exercise, SF&OC would announce the composition of the steering committee soonest possible. The reports and recommendations of the steering committee would also be submitted to HAB and uploaded to SF&OC's website in a timely manner.

104. The Committee asked whether HAB considered it most appropriate and effective for SF&OC to conduct the review by itself given its various inadequacies in corporate governance identified in the Audit Report.

105. **Secretary for Home Affairs** responded at the public hearings and supplemented in his letter dated 3 June 2020 (*Appendix 35*) that:

- SF&OC, with 79 NSAs as its member associations currently, had all along been playing an important and leading role in the sports sector. All NSA members were required to comply with the Olympic Charter, the Code of Ethics of IOC and SF&OC's Articles of Association, which empowered SF&OC to monitor the compliance by NSAs. HAB thus considered that SF&OC was in the best position to conduct the review;
- entrusting SF&OC with the responsibility to conduct the review and make recommendations for improvement would best exemplify the autonomous nature of sports organizations. In order to set a good example, SF&OC would also conduct a review on its own operation and internal monitoring mechanism and make improvements as appropriate; and
- HAB was in discussion with SF&OC on including the performance indicators and targets for the review exercise in the subvention agreement for 2020-2021.

D. Governance issues

106. With reference to Table 22 in paragraph 4.4 of the Audit Report, the Committee asked why no meetings were held for the three committees with the largest differences between estimated and actual numbers of meetings from 30 March 2017 to 31 December 2019, namely, the Hong Kong Olympic Academy, the Olympic

House Management Committee and the Public Relations and Corporate Communication Committee.

107. **Honorary Secretary General, SF&OC** and **Executive Director, SF&OC** explained at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 23 June 2020 (*Appendix 30*) that though the above three committees held no meetings during the period, they could discharge their functions by circulation of papers, submission of reports or through discussion at the Board meetings. Nevertheless, SF&OC had observed the overlapping of functions or membership between the Board and its committees, and thus would conduct a review on all its committees' structures, terms of reference, membership, frequency of meetings, etc. The review was expected to be completed in the current financial year. The terms of reference and membership of the Board of SF&OC and its committees were provided in the above letter.

108. Noting that no meetings were held by the Olympic House Management Committee from 30 March 2017 to 31 December 2019, the Committee queried how SF&OC could effectively oversee the matters relating to the management of the Olympic House during the period.

109. **Honorary Secretary General, SF&OC** responded at the public hearings and supplemented in his letters dated 9 and 23 June 2020 (*Appendices 32 and 30* respectively) that members of the Olympic House Management Committee (except the representative of HAB) were all SF&OC's directors. Though there was no meeting held by the Olympic House Management Committee during the period, SF&OC's directors discussed important issues about the Olympic House, such as the redevelopment project and other improvement works, at the Board meetings. MCOHL also submitted reports at every Board meeting and reported to HAB through quarterly reports. The composition of MCOHL's Board of Directors and its tenure were provided in the above letter dated 9 June 2020 (*Appendix 32*).

110. With reference to Table 23 in paragraph 4.12 of the Audit Report, the Committee enquired about the follow-up actions taken by SF&OC in respect of the non-attendance of individual members at meetings. **Executive Director, SF&OC** advised at the public hearings and **Honorary Secretary General, SF&OC** supplemented in his letter dated 23 June 2020 (*Appendix 30*) that SF&OC would take measures to encourage members' attendance. The attendance rate of members would be reviewed and served as one of the consideration factors for re-appointment.

111. At the request of the Committee, **Honorary Secretary General, SF&OC** provided the attendance rates of each member of the Board and the 15 committees of SF&OC²¹ for the meetings held from 30 March 2017 to 31 December 2019 (*Appendix 36*). According to the information provided by SF&OC, the Board held a total of 13 meetings during the above period, and the overall attendance rate of directors at the Board meetings was 77%. Only two of the directors had the attendance rates below 50%, and one of them was appointed in December 2018. The overall attendance rate of directors at the meetings of the 15 committees during the period was 75%, and two of the directors had the attendance rates below 50% (0% and 38% respectively). As for other 84 members (excluding directors) of the 15 committees, the overall attendance rate of these members at committee meetings was 69% during the period and 16 of them (19%) had the attendance rates below 50%. Among these 16 members, nine did not attend any committee meetings during the period.

112. Referring to paragraphs 4.25 and 4.28 of the Audit Report about the inadequacies in implementing new measures to facilitate declaring interests and in documenting rulings and related deliberations on the declared interests by SF&OC, the Committee sought the implementation timetable and details for the improvement measures in response to Audit's recommendations in paragraph 4.30 of the Audit Report.

113. **Honorary Secretary General, SF&OC** responded at the public hearings and supplemented in his letter dated 23 June 2020 (*Appendix 30*) that SF&OC would review the implementation of enhancement practice on declaration of interests in its Board and committees, and would continue its endeavour to formulate a comprehensive policy on declaration of interests and disclosure of potential conflicts of interest, as well as the signing of confidentiality agreement, where appropriate. SF&OC would make reference to the two-tier reporting system recommended in BPR when drawing up the policy. The review and the implementation of the new policy were expected to be completed in the current financial year.

²¹ According to paragraphs 4.2, 4.4(b)(ii) and 4.5 of the Audit Report, of the 29 committees of SF&OC, 14 did not hold meetings in the period from 30 March 2017 to 31 December 2019.

E. Conclusions and recommendations

Overall comments

114. The Committee:

- notes that:

- (a) the Sports Federation & Olympic Committee of Hong Kong, China ("SF&OC") is the National Olympic Committee of Hong Kong, China. According to the Olympic Charter,²² SF&OC must preserve its autonomy and resist all pressures of any kind, including but not limited to political, legal, religious or economic pressures, which may prevent it from complying with the Olympic Charter;
- (b) the Home Affairs Bureau ("HAB") provides recurrent subventions to SF&OC and the Management Company of Olympic House Limited ("MCOHL") pursuant to the subvention agreements signed annually with the two parties respectively. The recurrent subvention provided by HAB to SF&OC (including MCOHL) has been maintained at around \$20 million per annum since 2014-2015. In 2018-2019, the total amount of government funding provided to SF&OC was \$38.9 million.²³ HAB will substantially increase the yearly recurrent subvention provided for SF&OC to about \$40 million from 2020-2021 onwards; and
- (c) according to the 2020-2021 Budget, to further promote sports development in Hong Kong, the Government will substantially increase the total subvention for SF&OC and 60 National Sports Associations ("NSAs")²⁴ from about \$300 million to more than \$500 million per annum over the next four years;

²² See the website of the International Olympic Committee ("IOC"): <http://www.olympic.org>

²³ The total government funding of \$38.9 million comprised: (a) the HAB subvention of \$23,481,000; (b) \$12,517,000 from the Arts and Sport Development Fund (Sports Portion) to support Hong Kong athletes' preparation for and participation in international games and organizing one-off sports projects; and (c) \$2,900,000 from the Leisure and Cultural Services Department for organizing programmes and activities under the Sports Subvention Scheme.

²⁴ NSAs are the local governing bodies for various types of sports. As at 29 February 2020, there were 60 NSAs receiving block grants from the Leisure and Cultural Services Department under the Sports Subvention Scheme, and one of them was not a member of SF&OC.

- is strongly of the view that:
 - (a) while recognizing the autonomy of SF&OC, HAB had an oversight responsibility for SF&OC on the use of public funding, including implementation of good corporate governance practices, in accordance with the monitoring framework established under the subvention agreement to ensure that the government funding provided to SF&OC is used in a prudent and value for money manner; and
 - (b) representing Hong Kong to participate in major international multi-sports games ("international games") is a dream for many local athletes and they have spent long years of hard training in order that they have a chance to be nominated to join the Hong Kong, China Delegation. To ensure fair treatment of athletes in the nomination process by NSAs, SF&OC, while respecting the autonomy and independence of NSAs, has an active role to ensure that the selection processes adopted by NSAs are fair, impartial and transparent;

Selection of athletes

- notes that only NSAs²⁵ can nominate athletes to SF&OC for participating in international games, and the nominations are made based on NSAs' own criteria having regard to the uniqueness of each sports event. NSAs will then submit their nominations to SF&OC's International Multi-Sports Games Selection Committee ("the Selection Committee") for selecting the Hong Kong, China Delegation;
- expresses alarm and strong resentment, and finds it unacceptable that SF&OC's athlete selection process and system for international games, which has been used for over a decade, has the following deficiencies and irregularities as revealed by Case 1 in the Director of Audit's Report ("Audit Report") and at the public hearings:
 - (a) some athletes who failed to meet the announced selection criteria were nonetheless shortlisted by the Selection Committee for participating in the 18th Asian Games by using some other unannounced criteria, and the justifications of

²⁵ As at 29 February 2020, a total of 79 NSAs were members of SF&OC. They were recognized by SF&OC as the official representatives of their respective sports.

which were not properly documented in the meeting minutes. Poor documentation of the Selection Committee's deliberations would undermine the integrity, transparency and credibility of the athlete selection process;

- (b) SF&OC had not published what other important factors would be considered by the Selection Committee in the selection of athletes. Such factors included being members of relay teams or recipients of Hong Kong Sports Institute scholarships for athletes in category of Elite C or higher. Despite the fact that SF&OC claimed repeatedly at the hearings that members of the NSA concerned, coaches and athletes should be well aware of these other factors, no documentation could be provided by SF&OC. Failure to announce openly all the factors that would be considered by the Selection Committee may give rise to the underlying or perceived unfairness of the athlete selection mechanism under which any discretion may be prone to abuse and there may be perceived benefits for those who have better access to the selection-related information;
- (c) the relevant NSA in Case 1 and SF&OC adopted two different sets of criteria in nominating and selecting athletes respectively. The former made its nominations taking into account the personal best time of athletes in swimming events while the latter selected athletes based on the rankings of athletes in recognized competitions. In the circumstances, the coaches and athletes may have to make extra efforts to adjust the training and competition strategies in order to fulfill two different sets of selection criteria;
- (d) an athlete who was shortlisted by the Selection Committee for participating in men's 50 metres ("m") breaststroke in the 18th Asian Games suffered lower limb injury and received surgery three months before the competition. However, it was revealed at the public hearings that SF&OC was not aware of the incident and admitted that there was currently no requirement for the Head Swimming Coach or the athlete to inform the Selection Committee of the incident after the selection exercise. As the selection of athletes for participating in the 18th Asian Games is considered based on, among others, the result of medical check-up demonstrating athletes' fitness for competition and NSAs' preparation plans for their athletes (including their training and

competitions in the six months leading to the Games), the absence of a mechanism for the Head Swimming Coach or the athlete to report to the Selection Committee any material incidents that may affect the athlete's fitness for competition and training plan after the selection exercise has revealed inadequacies in the current athlete selection system;

- (e) the Head Swimming Coach of the Hong Kong, China Delegation assigned two selected swimmers²⁶ in June 2018 to compete in men's 100m breaststroke in the 18th Asian Games despite the fact that no athletes were selected by the Selection Committee at the meeting in April 2018 for that swimming event. Furthermore, one of the above two swimmers was originally nominated by the relevant NSA for participating in men's 100m breaststroke but his nomination had not been accepted by the Selection Committee. There was, however, no documentation indicating that the Head Swimming Coach had either sought prior approval from or reported to the Selection Committee in respect of his such arrangement, which had departed from the Selection Committee's decisions;
- (f) further to item (e) above, the Head Swimming Coach could make the decision to allow shortlisted athletes to participate in events that had vacant places and SF&OC had not put in place a transparent and objective substitution/replacement mechanism on how such vacant places were to be filled. Putting the burden on explaining such decisions on the Coach's own personal judgement without clear guidelines/mechanism would not be conducive to addressing any doubts on the fairness and propriety of these decisions;
- (g) cases of review against the Selection Committee's decisions on athlete selection were considered by the Selection Committee through circulation of paper instead of holding a meeting. Members of the Selection Committee were not required to provide in the reply slip the justifications for their individual decisions made on each of the review cases. SF&OC's Articles of Association²⁷ have not set out any specific rules for the

²⁶ One swimmer had been selected for participating in men's 50m breaststroke and the other for men's 200m breaststroke by the Selection Committee.

²⁷ See the website of SF&OC: <https://www.hkolympic.org>

functioning of the review mechanism for the Selection Committee's decisions though it forms a part of the athlete selection process;

- (h) NSAs which are not satisfied with the Selection Committee's decisions can only appeal to SF&OC's International Multi-Sports Games Appeal Panel for a final decision. In some overseas countries, however, the public can seek independent advice on sports-related disputes from independent professionals, and appeals are handled by independent bodies; and
 - (i) SF&OC had not publicized on its website the information about the athlete selection process, such as the dates of the qualifying events and quotas of events leading to international games, which were, however, available on the websites of the National Olympic Committees of some other countries;
- strongly urges and cautions SF&OC to:
- (a) take forward expeditiously a review on the existing athlete selection criteria, and consider developing a standardized set of athlete selection criteria to be agreed by both NSAs and SF&OC;
 - (b) make reference to overseas practices to select athletes in an open manner, such as holding selection competitions/qualifying matches, with a view to enhancing the objectivity and transparency of the selection process;
 - (c) establish a robust replacement/substitution mechanism for selecting athletes to fill the quotas of sports events in international games arising from athlete withdrawal from competition or non-acceptance of nominations by the Selection Committee;
 - (d) clearly set out the authority and responsibilities of head coaches of the Hong Kong, China Delegation in respect of the preparation and arrangement for competitions (including the continuing duty to report on any material incidents that may affect the athlete's fitness for the competition), while observing and respecting their professional autonomy; and
 - (e) review its procedures for handling cases of review against the Selection Committee's decisions, and set out clearly in its Articles

of Association and/or its website the review mechanism for the Selection Committee's decisions on the selection of athletes (including the composition, terms of reference, functions and responsibilities of the review panel);

Implementation of best practices relating to athlete selection

- notes that in December 2011, the Independent Commission Against Corruption formulated, in consultation with HAB, the Leisure and Cultural Services Department and some NSAs, the "Best Practice Reference for Governance of National Sports Associations - Towards Excellence in Sports Professional Development" ("BPR"),²⁸ which provides guidance on principles and standards of good governance and internal control for adoption by NSAs;
- expresses total dissatisfaction and disappointment and finds it unacceptable that SF&OC has made inadequate effort to ensure the fairness and impartiality in nominating athletes by NSAs, as evidenced by the following:
 - (a) the implementation progress of the BPR best practices on the transparency in selecting athletes for participating in international games was unreasonably slow. Up to 29 February 2020, some of these best practices had yet to be implemented by SF&OC some eight years after the issuance of BPR; and
 - (b) while NSAs are required to submit their athlete nomination criteria to SF&OC for record, there is no monitoring mechanism put in place by SF&OC to ensure NSAs' adherence to their criteria and the implementation of the BPR best practices on athlete selection;
- notes that:
 - (a) as at 3 June 2020, SF&OC has achieved more than 80% of the 29 items of the BPR best practices on transparency in selecting athletes, and aims to complete the remainder by the next financial year; and

²⁸ Best Practice Reference for Governance of National Sports Associations - Towards Excellence in Sports Professional Development (accessed on 29 June 2020):
https://cpas.icac.hk/EN/Info/Lib_List?cate_id=3&id=159

- (b) SF&OC will consider incorporating the BPR best practices into the code of governance to be formulated for compliance by all NSAs;
- strongly urges and cautions SF&OC to take monitoring measures as appropriate to ensure the full implementation of the BPR best practices in respect of athlete selection by NSAs and to ensure that it would implement the remaining 20% of BPR best practices in the next financial year as a role model for NSAs;

Governance and monitoring of NSAs

- notes that NSAs, who are members of SF&OC, are required to comply with the requirements of the Olympic Charter, the Code of Ethics of the International Olympic Committee ("IOC"),²⁹ and SF&OC's Articles of Association. If an NSA member has infringed the requirements, SF&OC has the power to cancel or suspend its membership;
- expresses serious concern about the following inadequacies and limitations of SF&OC in monitoring NSAs as revealed by Case 2 in the Audit Report:
 - (a) there is no mechanism in place to ensure NSA members' compliance with the requirements of the Olympic Charter, the Code of Ethics of IOC, and SF&OC's Articles of Association; and
 - (b) SF&OC is not empowered to investigate cases of complaint against NSA members, and can only deal with the case based on the information provided by the NSA concerned and the complainants and take appropriate follow-up actions accordingly. Under such circumstances, the complaints against the NSA member in Case 2 could not be dealt with by SF&OC effectively and efficiently;
- notes that:
 - (a) HAB will provide SF&OC with a time-limited funding of \$5 million per year for five years starting from 2020-2021 to support a review by SF&OC on the operation and internal monitoring mechanism of NSAs;

²⁹ See the website of IOC: <http://www.olympic.org>

- (b) SF&OC has undertaken to allocate the new resources to reviewing the corporate governance of NSAs including but not limited to reviewing their Articles of Associations, the composition of their executive boards and election mechanisms, financial reporting and auditing compliances, etc.;
 - (c) SF&OC will form a steering committee comprising independent professionals to oversee the implementation of the review exercise; and
 - (d) SF&OC will explore the merit of establishing a mechanism to gauge NSA members' compliance with the requirements of the Olympic Charter, the Code of Ethics of IOC, and SF&OC's Articles of Association;
- strongly urges HAB to:
- (a) closely liaise with SF&OC in taking forward the review exercise, follow up the review progress and achievements on a regular basis, and provide appropriate advice and assistance in a timely manner; and
 - (b) expedite the drawing up of the subvention agreements with SF&OC and MCOHL for 2020-2021 in which performance indicators and targets and expected deliverables for the review exercise should be included to facilitate the monitoring of the implementation of the review and to ensure accountability over the use of government funds for the review by SF&OC;
- strongly urges SF&OC to:
- (a) conduct the review in an effective and efficient manner and report to HAB the review progress on a regular basis; and
 - (b) enhance the publicity and education on the compliance with the requirements of the Olympic Charter, the Code of Ethics of IOC, and SF&OC's Articles of Association by NSA members;
- recommends that SF&OC should issue to NSA members some procedural guidelines for handling complaints, including setting a time limit for responding to the complainants and SF&OC;

Provision of subvention and monitoring

- expresses serious concern about the following inadequacies of HAB's work in the provision of subvention and monitoring compliance with subvention requirements:
 - (a) recurrent subventions to SF&OC were not always disbursed by HAB on a timely basis. In the period from 2016-2017 to 2018-2019, the delays in disbursement ranged from 7 to 104 days. With respect to the disbursements to MCOHL, the dates of disbursement had not been stipulated in the funding agreements signed between HAB and MCOHL;
 - (b) the respective funding agreements between the Government and SF&OC and MCOHL for the provision of subventions in 2019-2020 were signed in July 2019. Such delay in signing the agreements might lead to the operational difficulties of SF&OC and MCOHL; and
 - (c) while under the subvention agreement MCOHL is required to make public disclosure of the remuneration of staff of the top three tiers of MCOHL in its annual report, the remuneration had not been disclosed in MCOHL's annual reports of 2014-2015 to 2018-2019, and there was no evidence indicating that HAB had taken any follow-up actions on the non-disclosure. The undisclosed remuneration in 2018-2019 amounted to \$3.25 million;
- notes that:
 - (a) HAB will step up its internal monitoring and redeploy internal manpower to ensure timely disbursement of recurrent subvention to SF&OC and MCOHL. HAB will also work closely with SF&OC to expedite the signing of subvention agreements in future;
 - (b) HAB will ensure that both SF&OC and MCOHL would make the appropriate disclosure of the remuneration of staff of the top three tiers when the proportion of Government subvention to them exceeds 50% of their total operating income;

- (c) Secretary for Home Affairs has agreed with the Audit Commission ("Audit")'s recommendations in paragraphs 3.15(b), 3.15(c), 3.36(d) and 3.36(e) of the Audit Report; and
- (d) SF&OC has accepted Audit's recommendation in paragraph 3.37(c) of the Audit Report; and

Witnesses' evidence given at the hearings

- expresses alarm and strong resentment, and finds it unacceptable that the quality of evidence given by the representatives of SF&OC at the public hearings had unnecessarily dragged out the investigation process of the Committee and had cast doubts on the credibility of witnesses' responses, as evidenced by the following:
 - (a) SF&OC's representatives had been seen as answering the Committee's questions evasively, providing inconsistent and multi-version answers to the same question at a hearing. On the question as to when the Head Swimming Coach made the decision on the athletes filling up the two places for the men's 100m breaststroke event in the 18th Asian Games, SF&OC's representatives gave two different answers at the first public hearing, namely, a couple of days before the competition, and on the competition day. SF&OC subsequently clarified in its written reply after the hearing that the relevant decision was made upon the submission of entry form to SF&OC in June 2018, about two months before the competition. Furthermore, the responses from the SF&OC's representatives were equally vague and evasive to the questions on whether NSAs and coaches had been formally informed of other consideration factors for athlete selection and on the position of SF&OC's Honorary Secretary General in a swimming club; and
 - (b) SF&OC provided incomplete information taken out of context in response to the question about a review case on the nomination of an athlete, which might mislead the Committee in drawing conclusions on the matters. In a written reply from SF&OC, only part of the views of an athlete's coach in his letter in supporting a review of a nomination rejected by the Selection Committee was extracted and provided to the Committee. The Committee found it doubtful at the hearing and requested a full copy of the letter for further examination. After scrutinizing the

letter, the Committee found that the extracted part provided previously by SF&OC appeared to be aimed at rationalizing the Selection Committee's decision to uphold its rejection of the nomination and failed to give a full and complete account of the content of the letter.

<p style="text-align: center;">Specific comments</p>

115. The Committee:

Operation of Sports Federation & Olympic Committee of Hong Kong, China

- expresses dismay and disappointment that for the doping tests conducted by the Office of Hong Kong Anti-Doping Committee ("HKADC") in the period from 2014-2015 to 2018-2019, owing to the fact that some athletes could not be located, there were unsuccessful attempts to conduct the tests. Audit examined ten unsuccessful attempts (related to six athletes) in 2018-2019 and noted that, contrary to the anti-doping requirement, all the six athletes had not been asked at any point in time to provide explanations on why they could not be located. Furthermore, two of the six athletes had subsequently updated their whereabouts to the Office of HKADC. However, doping tests had not been conducted for them. Moreover, there were no laid-down requirements on the number of attempts to be made to locate an athlete. The number of attempts made for the six athletes varied;
- expresses serious concern that:
 - (a) while under the Hong Kong Athletes Career and Education Programme ("HKACEP") an English course is provided to enhance athletes' level of English, the progress of some participants is slow. In 2018-2019, of the 69 participants who had joined the course for more than four years, 40 (58%) had failed to advance at least one grade level after joining the course;
 - (b) while scholarships are provided on a reimbursement basis to retiring or retired athletes for pursuing better qualifications, as at

31 December 2019, 11 scholarships approved more than 2.5 years ago had not been claimed by the 11 athletes concerned;

- (c) while according to the tenancy agreements signed between MCOHL and its tenants, including NSAs, MCOHL has the right to allocate office spaces to them based on the numbers of their staff, there were large variations in the numbers of staff of some NSAs occupying office spaces of the same gross floor area (e.g. for three NSAs each of which had been allocated an office space of 130 square feet, the numbers of staff occupying ranged from one to six). Moreover, there were, in general, large variations in the average gross floor area per staff;
- (d) while SF&OC has been in discussion with the Government since 2011 about the long-term requirement for office spaces in the Olympic House, the over-crowding of NSA staff in the Olympic House is still an issue. SF&OC has subsequently proposed the redevelopment of the Olympic House to meet the accommodation needs of NSAs. However, HAB has not yet mapped out the way forward for the Olympic House, and also not yet devised a timetable for taking forward the matters arising as appropriate;
- (e) for the meeting venues available in the Olympic House (comprising a lecture theatre, a board room and seven meeting rooms), in the period from 2014-2015 to 2018-2019, the usage rate of the lecture theatre was between 26% and 32% only, that of the board room decreased from 14% in 2014-2015 to 9% only in 2018-2019, and that of the meeting rooms ranged from 41% to 54%;
- (f) 47 procurements of goods or services (totalling about \$6.6 million) made by SF&OC and MCOHL from 2016-2017 to 2018-2019 were found not compliant with SF&OC's procurement requirements, such as the number of written quotations and the relevant approving authority required, and 20 of which obtained single quotation only;
- (g) among the above 47 procurements, 24 were reimbursements of air fares to NSAs to which SF&OC's procurement requirements were not applicable. As SF&OC had not laid down any guidelines specifically for reimbursements of expenses to NSAs and the setting of maximum reimbursable amounts to them, there was no

mechanism in place to ensure that best value for money had been achieved in making such reimbursements;

- (h) two of the 47 procurements, which involved the purchase of air tickets for the Hong Kong, China Delegation to participate in international games with a total amount of about \$4 million, were made under sponsorship agreements with airline companies, and thus were exempted from the tendering requirements according to SF&OC's procurement policies and principles; and
- (i) one procurement with an amount of \$180,000 for a two-year maintenance service of the passenger lift in the Olympic House had not obtained the number of written quotations and the relevant approving authority as required;

- notes that:

- (a) the Office of HKACEP has introduced a new regulation that all scholarship applicants have to advance one level in four years (after the successful enrolment or advancement of one level). Applicants who fail to meet the above requirement will be requested to drop out;
- (b) another new regulation imposed by the Office of HKACEP is to require all scholarship applicants to submit and follow their reimbursement schedule in the undertaking form, and make the first reimbursement within 24 months from the date of approval. Otherwise, the approved scholarship will be cancelled;
- (c) an enhanced internal workflow will be implemented by the Office of HKADC to ensure strict adherence to the anti-doping requirements;
- (d) HAB has been reviewing with SF&OC and the relevant NSAs their office requirements taking into account the current and future needs, and will continue to work closely with SF&OC in taking forward the redevelopment of the Olympic House;
- (e) MCOHL will liaise with HAB to study the feasibility of converting some meeting rooms into office spaces after studying the existing staff number of each tenant and the possibility of

- re-allocating offices, and will put forward the initial proposal within the current fiscal year;
- (f) SF&OC agrees to further enhance the procurement policy to cover the compelling circumstances and guidelines for reimbursements of expenses;
 - (g) SF&OC has agreed with or accepted Audit's recommendations in paragraphs 2.32, 2.39, 2.53 and 2.60 of the Audit Report; and
 - (h) Secretary for Home Affairs has accepted Audit's recommendations in paragraph 2.52 of the Audit Report;
- strongly urges HAB to work closely with SF&OC to expedite the redevelopment project of the Olympic House and the implementation of interim measures to ease the over-crowding of NSA staff in the Olympic House;
 - recommends that:
 - (a) SF&OC should enhance staff training on its procurement policies and procedures; and
 - (b) SF&OC should invite the Independent Commission Against Corruption to provide its staff with briefings on the best practices in procurement process on a regular basis and to give professional advice on procurement issues;

Government funding and monitoring

- expresses grave concern that:
 - (a) throughout the period from 2014-2015 to 2018-2019, the SF&OC Secretariat had operating deficits. In 2015-2016 and 2016-2017, the Office of HKACEP, the Office of HKADC and MCOHL also had operating deficits. In 2018-2019, the Office of HKACEP and the Office of HKADC incurred deficits again;
 - (b) while according to the Financial Circular No. 9/2004 subvented organizations should ensure that there is no cross-subsidization of self-financing activities by subvented programmes in money or in kind, there was no apportionment of office overheads between

SF&OC's subvented programmes and the two affiliated companies of SF&OC which are operated on a self-financing basis (i.e. the SF&OC Sports Legacy Company Limited and the Hong Kong Olympic Fans Club Limited). Moreover, MCOHL only charged the former a monthly management fee at subvented rate for its occupation of an office space of 305 square feet in the Olympic House since its establishment in 2015. The management fee undercharged from 2015-2016 to 2018-2019 was \$345,880;

- (c) MCOHL had not been included in the list of organizations receiving recurrent funding from the Government in accordance with the Financial Circular No. 9/2004;
 - (d) in the period from 2014-2015 to 2018-2019, MCOHL was frequently late in submitting accounts to HAB. In the period from 2014-2015 to 2017-2018, MCOHL did not submit any reports on its achievements of performance indicators to HAB. However, HAB had not taken any follow-up actions in respect of the non-submission;
 - (e) the Office of HKADC and MCOHL had failed to achieve some of the stipulated performance indicators, but both SF&OC and MCOHL had not provided any explanations in this regard. There were also differences between the achievements reported by SF&OC and MCOHL and those ascertained by Audit; and
 - (f) up to 29 February 2020, 13 of the 73 best practices in BPR, which cover board governance, integrity management and administration of membership, were pending implementation by SF&OC;
- notes that:
- (a) HAB is following up with MCOHL on Audit's recommendations to prescribe a payment schedule of disbursement and suitably adjust the deadline for submission of the quarterly management accounts by revising the related clauses in the subvention agreement. The relevant amendment work is expected to be completed in June 2020;
 - (b) HAB is consulting the Financial Services and the Treasury Bureau on Audit's recommendation to include MCOHL in the list of

organizations receiving recurrent subvention from the Government, and will conclude the relevant follow-up action in June 2020;

- (c) it was agreed that the management fees undercharged to the SF&OC Sports Legacy Company Limited between 2015-2016 to 2018-2019 would be settled by SF&OC. For the future charging arrangement of the management fees, SF&OC will further discuss with HAB and necessary measures will be taken to prevent reoccurrence of the cross-subsidization of self-financing activities by subvented programmes;
- (d) HAB will more closely monitor the submission of accounts and reports by SF&OC and MCOHL, and require them to provide explanation if there are any under-achievements of performance indicators. SF&OC has also established more realistic indicators since 2018-2019 to better reflect its corporate performance;
- (e) SF&OC will improve the submission schedules for accounts and reports, and will follow up the implementation of the best practices laid down in BPR as far as practicable having regard to its corporate structure;
- (f) Secretary for Home Affairs has agreed with Audit's recommendations in paragraphs 3.15(a), 3.15(d) and 3.36 of the Audit Report; and
- (g) SF&OC has accepted Audit's recommendations in paragraphs 3.16 and 3.37(a), 3.37(b) and 3.37(d) of the Audit Report;

Governance issues

- notes that the Board of Officers ("the Board") of SF&OC is supported by 29 committees, of which 27 committees are standing committees and two committees are non-standing committees formed on a need basis. As at 31 December 2019, the 27 standing committees had a total of 249 members;
- expresses disappointment and finds it unacceptable that:
 - (a) during the period from 30 March 2017 to 31 December 2019, among the seven committees which had laid down their estimated

frequency of meetings, the number of meetings held for six of which was less than the estimated number. Of these six committees, three did not hold any meetings. For the other 22 committees which had not laid down their frequency of meetings, no meetings were held for 11 committees;

- (b) for the Board and the 15 committees which held meetings in the period from 30 March 2017 to 31 December 2019, a decrease was noted in members' attendance at meetings of the Board³⁰ and two committees.³¹ Furthermore, each year, there were members who did not attend any meetings of the committees. The number of such members during the above period totalled 61, which was not conducive to the effective functioning of the Board/committees;
- (c) in Case 3 of the Audit Report, the meeting held by the Membership Affairs Appeal Panel on 13 September 2018 was, according to SF&OC, an informal briefing only and thus no agenda and minutes had been prepared for that meeting. However, at the Board meeting in October 2018, the informal briefing of the Membership Affairs Appeal Panel was reported as its first meeting held during the year;
- (d) while a "declaration of interest form" has been introduced since January 2013, as at the end of January 2020, only 5 of the 29 committees had implemented the use of the declaration forms;
- (e) while Officers of the Board have been required since 2016 to declare their interests and sign the "Conflict of interest disclosure and confidentiality statement" at the time of appointment, as at the end of January 2020, of the 29 committees, only 3 had adopted this new measure; and
- (f) in four committee meetings of a total of eight Board/committee meetings where interests were declared, rulings on the declared interests as well as the deliberations related to the rulings were not documented, contrary to SF&OC's requirement;

³⁰ The attendance rate decreased from 83% in 2017 to 76% in 2019.

³¹ The two committees were HKADC (the attendance rate decreased from 91% in 2017 to 73% in 2019), and Hong Kong Sports Stars Awards Judging Panel (the attendance rate decreased from 100% in 2018 to 75% in 2019).

- observes that some committees of SF&OC are operating with most of their communication or deliberations made by circulation of papers or submission of reports. Using circulation of papers/reports to replace meetings too often may easily lead to a doubt on whether the committees have discharged their functions properly without due discussion;
- notes that:
 - (a) SF&OC will conduct a review on the organization structure, terms of reference, membership and the meeting frequency of all its committees, which is expected to be completed in the current financial year, and will also take measures to improve the attendance rate of members, where appropriate;
 - (b) SF&OC will review the implementation of the enhancement practice on declaration of interests in its Board and committees, and will continue its endeavour to formulate a set of comprehensive policy on declaration of interests and disclosure of potential conflicts of interest, as well as the signing of confidentiality agreement. The review and the implementation of the new policy are expected to be completed in the current financial year; and
 - (c) SF&OC has accepted Audit's recommendations in paragraphs 4.17 and 4.30 of the Audit Report; and
- recommends that:
 - (a) SF&OC should review its committee structure on a regular basis and adjust it based on the organization's changing governance needs;
 - (b) SF&OC should make greater efforts in addressing the issue of members' attendance at meetings of the Board/committees and to ensure that they are aware of their roles and duties and perform them faithfully;
 - (c) SF&OC should review the management of potential conflicts of interest relating to the selection of athletes, particularly those involving shortlisted athletes whose family members/relatives are

members of the Board/committees of SF&OC, when drawing up the new policy on declaration of interests; and

- (d) SF&OC should develop good and proper practices in committee servicing to ensure that the committees are operated with efficiency, effectiveness and propriety.

<p style="text-align: center;">Follow-up action</p>
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116. The Committee:

- requests HAB and SF&OC to provide the implementation details of the review by SF&OC on the operation and internal monitoring mechanism of NSAs, including the timeframe for the review and the composition of the steering committee, etc.; and
- wishes to be kept informed of the progress made in implementing the various recommendations made by the Committee and Audit.